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C O N F I D E N T I A L SECTION 01 OF 04 MADRID 001087

SIPDIS

STATE FOR EUR/WE, NEA/IRAN, ISN, EEB/TF, P SPECIAL ADVISOR
MULL, NEA FOR A/S FELTMAN
TREASURY FOR TERRORIST FINANCE & FIN CRIMES/STACK AND BURKE

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TAGS: [EFIN](#) [KNNP](#) [MNUC](#) [PARM](#) [PREL](#) [SP](#) [IR](#)
SUBJECT: SPAIN CONSIDERS INFORMATION SHARED BY IRAN
BRIEFING DELEGATION

REF: MADRID 1006

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Classified By: Charge D'Affaires Arnold Chacon for reasons 1.4 (b) and (d)

1. (C) SUMMARY. The Iran briefing delegation, with representatives from DOS and Treasury, held discussions with a number of Spanish interlocutors, as well as E3 country resident diplomats, on October 22 and 23 in Madrid. MFA Director General for Foreign Policy Alfonso Lucini (P-equivalent) made clear that, while Spain supported the P5 1 process, it was critical to exhaust the engagement track before pursuing any additional pressure tactics. While Spain would support measures derived through the UNSC process, he questioned the efficacy of sanctions and expressed doubt about pressure tactics given the internal dynamics of Iranian politics. Spain agrees that discussions should be underway on developing measures to increase pressure on Iran, however, Lucini also insisted that dialogue must be the primary track of engagement, followed by action in the UNSC. Assistant Secretary-equivalent Fidel Sendagorta offered his skepticism regarding what pressure tactics would achieve with Iran. He believed that the U.S. and others did not have adequate information about Iranian internal affairs that would impact Tehran's decisions on the nuclear file. Sendagorta questioned strongly if increased pressure on Iran would inspire its leadership to engage with the international community or if it would give leverage to those who sought to increase power by "defying outsiders". Sendagorta also pondered if the Iranian leadership was confident in their control, post-summer 2009 events, so that they would be willing to take risks. During technical meetings with working-level contacts at the Commerce Ministry and Treasury Department, Spanish interlocutors noted that Spain vigorously enforces existing sanctions and would be willing to implement additional measures, if they were consensus actions under UNSC and/or EU authority. UK, French and German diplomats in Madrid offered their joint assessment that Spain will need to show both its domestic constituency and reluctant EU partners that the UN track has been exhausted before any additional sanctions on Iran are considered. END SUMMARY.

2. (C) In an October 23 session with Assistant Secretary-equivalent Fidel Sendagorta and a team of MFA office directors and desk officers working on Iran issues, the U.S. delegation gave an overview that focused on the need for concrete results from Iran, as well as international consensus on next steps given the need for swift action

should positive results not emerge from the next political directors meeting. Sendagorta offered his skepticism regarding what pressure tactics would achieve with Iran. He believed that the U.S. and others did not have adequate information about Iranian internal affairs that would impact Tehran's decisions on the nuclear file. Sendagorta questioned strongly if increased pressure on Iran would inspire its leadership to engage with the international community or if it would give leverage to those who sought to increase power by "defying outsiders". Sendagorta also pondered if the Iranian leadership was confident in their control, post-summer 2009 events, so that they would be willing to take risks. The USG delegation reinforced the point that seven years of discussions with Iran had not brought results, and holding back in the face of continued recalcitrance or obfuscation would only show Iran that there were divisions in the international community that could be exploited to Iran's advantage. If further action was needed (e.g., if the Tehran Research Reactor refueling project did not proceed as planned or if Iran failed to facilitate IAEA inspections at Qom), then an immediate targeted response, consisting of a gradual increase in pressure was a critical element of the dual-track strategy.

13. (C) Joaquin de Aristegui of the MFA's Bilateral Economic Relations Office asked for more details on the economic dimension of an increased pressure strategy. Aristegui questioned how any additional measures could be effective given the unlikelihood that India, Russia, China, South Africa and Iran's neighboring countries would support any US-EU plan for targeted economic pressure. In response to a description of some of the tactics under consideration, along with encouraging analysis of the historic impact of prior economic measures pinching or disrupting Iran's economic and

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financial interests, Aristegui countered that given alternate suppliers, the U.S. and EU would not be able to avoid trade diversion in the absence of a UNSCR.

14. (C) During a separate session, MFA Director General for Foreign Policy Alfonso Lucini (P-equivalent) made clear that, while Spain supported the P5+1 process, it was critical to exhaust the engagement track before pursuing any additional pressure tactics. He questioned the efficacy of sanctions and expressed doubt about pressure tactics given the internal dynamics of Iranian politics. Lucini said that Spain would represent EU consensus during its upcoming January-June 2010 Presidency, but that sanctions would need to evolve through the UNSC. He also expressed concern about the potential negative consequences of increased pressure on Iran with regard to the Middle East Peace Process and regional power struggles among Iran and its neighbors. Asked for his ideas on how to facilitate EU consensus, as well as engage with the aligned movement, Gulf States, Russia, China and India, Lucini said that the MFA looked forward to further talks with the U.S. to refine common strategy. Lucini expressed particular interest in meeting with NSC Ross when he next traveled to Washington and welcomed a potential visit by Ambassador Mull sometime in November.

COMMERCE MINISTRY AND TREASURY IMPLEMENTING FULLY EXISTING
SANCTIONS -
WILLING TO CONSIDER OTHER MEASURES UNDER COVER OF UNSC
RESOLUTIONS

15. (C) The delegation met on October 22 with Juan Manuel Vega, the Finance and Economy Ministry's Deputy Director General for Inspections and External Transactions. Vega, who was accompanied by adviser Jorge Fernandez-Ordas, emphasized that his interest was in implementing effectively whatever policy was decided upon at the international level, not in considering broader policy questions. Vega described Spain's position as not "hard-line" but "progressive." He cited the

value of common EU action and said he thought the EU would continue to go beyond the requirements of UNSC resolutions. He twice said Spain was hesitant to take unilateral actions independently of the EU, for both political and practical reasons, and he said the GOS was skeptical about the effectiveness of such actions. He said the GOS had issued an advisory to banks explaining the possible risks of Iran-related transactions and added that it was studying a number of (unspecified) initiatives. While the GOS was considering whether to require reporting of all transactions with respect to Iran, it thought that just talking to banks, as it was doing, was more effective.

¶16. (C) Vega said that Iran's central bank had approached the GOS suggesting that it conduct a "study visit," which he viewed as an effort to break Iran's diplomatic isolation. The GOS had said the time was not right. Vega also expressed concern about banks, limited capacity to know who the beneficial owner was in a transaction and asked about the delegation's view of the impact of existing measures.

¶17. (C) The delegation met on October 23 with Secretary General for Foreign Trade Alfredo Bonet of the Ministry of Industry, Tourism, and Commerce. Bonet noted that his ministry did not take sanctions decisions, but merely implemented them "robustly." He said the GOS had in the last couple of years increased significantly its use of its catchall clause to require that firms seek permission to export to Iran potential dual-use items. As it had broadened the scope of what items might be dual-use, GOS statistics for approval of dual-use exports to Iran had also increased, but he said this did not reflect an increase in actual exports.

¶18. (C) Bonet said Spanish companies were very concerned about the risks of doing business with Iran, and that the only ones doing so were ones with long-standing relationships; no new companies were entering the market. Most of the trade involved small and medium-sized firms exporting pipes, valves, tubes, and machine tools, which the GOS looked at very closely. Some complained that Russian and Chinese competitors would make any sales they were not allowed to. In response to a request from the delegation,

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Bonet expressed willingness to talk with China, India, and other countries about controlling their companies, exports more closely. When asked about Spain's export credit agency CESCE, he said its level of operations for trade with Iran was low compared to that in Italy and Germany. He said the main users were engineering companies the GOS knew well that had long histories of trade with Iran. He said CESCE had for the last few years had a ceiling on its total exposure to Iran, though he acknowledged that this did not prevent it from supporting new operations as old ones were completed. In discussing possible future measures, Bonet said he did not know of any Spanish exports of telecoms equipment of concern or gasoline but that energy investment measures would affect Spanish interests. More generally, Bonet said the GOS would be willing to adopt additional measures if they were proportionate, but it would need a common position by the UNSC or at least the EU.

E3 DIPLOMATS SAY SPAIN MUST BE PERSUADED THAT DIRECT,
IMMEDIATE RESPONSE IS NEEDED -
APART FROM DRAWN OUT NEGOTIATIONS OVER UNSC RESOLUTIONS

¶19. (C) After meeting with Spanish counterparts, delegation members met October 23 with like-minded diplomats from the E3 embassies in Madrid working on P5 1 related issues. A British diplomat said that their working level contacts reported President Zapatero was so focused on building a partnership with President Obama, that almost any specific and direct request in a personal meeting or phone call was likely to receive a positive response. The British Embassy

urged that the U.S. delegation consider that factor as a "chip" to utilize at any critical stage during the process of developing U.S.-EU consensus on next steps. He also noted Spanish preoccupation with the potential impact of increased pressure on Iran with respect to the Middle East Peace Process (MEPP). UK, French and German diplomats in Madrid offered their joint assessment that Spain will need to show both its domestic constituency and reluctant EU partners that the UN track has been exhausted before any additional sanctions on Iran are considered. From an EU perspective, they also reminded that information from Javier Solana at higher EU levels did not flow into the Spanish policy making bureaucracy in this administration.

¶10. (C) According to E3 colleagues, the challenge is persuading Spain that the luxury of sequential action does not exist given the need for a direct, timely response in the dual-track strategy. The Zapatero administration will continue to focus its rhetoric on the importance of dialogue and Spain's role as a special messenger between the "hard-line countries" and Iran. Asked about the potential success of an expansive interpretation of existing authorities, rather than adding new sanctions, other diplomats noted that Spain believes strongly that threats undermine negotiations. However, while Spain may not actively work toward developing new measures, it may respond positively to a U.S. outline of "official trigger points" after the next political directors meeting, especially if President Zapatero is pressed directly by President Obama. All agreed that the most difficult scenario would be managing half measures or ambiguous responses from Iran. In that circumstance, Spain was most likely to take a passive role, emphasizing that they will represent EU consensus and implement UNSCR resolutions, while not exerting any leadership to work towards those outcomes. Other diplomats also agreed that Spain was likely to respond positively to any proposal framed in a way that would give President Zapatero a chance to take credit for promoting dialogue between the parties as he tries to burnish his international profile for his domestic constituency.

COMMENT

¶11. (C) COMMENT: Spain is qualifying its responses to our requests for strong support at this point. Yes, they will support the P5 1 process, but they are not themselves expending any political capital to move the EU forward toward consensus on increased pressure tactics. Yes, they support

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increased pressure on Iran, but within the context of exhausting dialogue and working through the UN to achieve consensus on additional UNSCRs. Yes, they have told Iran that the international community will not allow any wedges to create divisions in the dual-track strategy, but at the same time they are not anxious to take any steps they view as counter-productive, such as sanctions or actions that might have unintended consequences for the MEPP or regional power struggles. Post recommends that standard talking points on Iranian proliferation be kept on hand for use whenever the Secretary speaks to Moratinos. He should be reminded that the USG looks forward to Spain's views on how to enact the direct, timely response essential to the dual track strategy, especially given that prolonged, sequential steps following a drawn-out UNSCR process would set back our efforts. A visit by Ambassador Mull, engaging not only MFA officials but also foreign policy advisors in the Presidency, would be extremely helpful. It would also be useful to offer senior-level appointments to Spanish officials visiting Washington (e.g. we understand DG for the Middle East Fidel Sendagorta hopes to see A/S Feltman the first week in December; this would be an important opportunity to hammer home USG views on Iran). An intel community briefing on Iranian proliferation activities, releasable to Spanish interlocutors, would be

invaluable to move Spanish thinking forward on the need to plan for next steps. (noting the success of the Syria briefing in Spring 2009 here in Madrid). At this point, Spain doesn't see that it gains anything for its national agenda by taking leadership of this issue. President Zapatero and his team, however, may be swayed by continued high-level engagement from the White House in the lead-up to and during the EU Presidency. END COMMENT.
CHACON